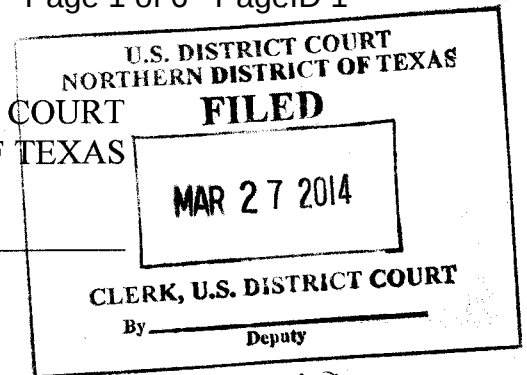


IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION



UNITED STATES OF AMERICA

v.  
JEFFREY WATTS (01)  
a/k/a "Jeff Watts"

Criminal No. 4:14-MJ-160

CRIMINAL COMPLAINT

I, the undersigned Affiant, being first duly sworn, hereby state that the following is true and correct to the best of my knowledge and belief:

On or about November 5, 2013, in the Fort Worth Division of the Northern District of Texas, and elsewhere, **Jeffrey Watts**, a/k/a Jeff Watts, transmitted and caused to be transmitted in interstate commerce, an ACH payment in the amount of \$909.86 to W-2, representing that it was a return on the investment in Arrowhead Productions, knowing that it was not, in violation 18 U.S.C. § 1343.

1. Affiant is a Special Agent with the Federal Bureau of Investigation and has been so employed for over 16 years. The Affiant's current responsibilities with the FBI include, among other matters, conducting investigations into violations of law involving wire fraud under 18 U.S.C. § 1343. During the Affiant's tenure as a Special Agent with the FBI, Affiant has conducted and participated in numerous investigations of criminal activity, and participated in the execution of arrest and search warrants. Affiant has personally participated in this investigation, and is thoroughly familiar with the information contained in this affidavit.
2. Because this recitation of facts is submitted for the limited purpose of establishing probable cause for a complaint to issue, Affiant has not included each and every fact

known concerning this investigation. Affiant has set forth only the facts that Affiant believes are necessary to establish probable cause that a violation of federal law occurred.

3. In December 2013, Affiant learned about a Ponzi-type scheme involving an oil and gas investment company known as Blue Alpha Energy and its owner, Jeffrey Watts. The information provided to the Affiant was that Watts, through Blue Alpha Energy and a group of related limited partnerships and other entities, purported to be investing in oil and gas wells in Texas owned and/or operated by Arrowhead Productions. The investors were to receive monthly distributions representing their percentage ownership in the oil and gas wells. During 2012 and 2013, approximately \$5.8 million in investments were raised for the various partnerships. However, in December 2013, investors in Blue Alpha Energy learned that Watts never had investment agreements with Arrowhead Productions, and in fact funneled the investor funds into business entities that he controlled. Based upon this information, the FBI initiated an investigation.

4. An investor in Blue Alpha Energy, hereinafter referred to as W-1, was interviewed by the FBI, and he provided the following information:

- W-1 met Watts in either the summer or fall of 2012 through a mutual acquaintance. W-1 was looking for investment opportunities in the oil and gas business, and met with Watts about an investment in Blue Alpha Energy. Watts proposed that W-1 provide a \$1 million loan to Blue Alpha Energy in order to acquire an ownership stake in the working interest in 400 oil and gas wells.
- The loan would be made to a related Blue Alpha Energy entity, 2S2F LLC, which Watts represented already had an interest in wells owned and/or operated by Arrowhead Productions.
- W-1 researched Arrowhead Productions, a Fort Worth based company owned by S.M. The investment information provided by Watts contained details about the Arrowhead Productions wells, and W-1 checked a

sampling of those wells against publicly available information through the Texas Railroad Commission. The wells and the production information provided by Watts appeared to be legitimate. W-1 also learned from other investors in Blue Alpha Energy with whom he was acquainted that they had received distributions in previously closed transactions with Watts.

- Based upon the representations made by Watts and his own research, W-1 loaned \$250,000 to 2S2F, while family members and associates of W-1 loaned the remaining \$750,000. W-1 began receiving loan repayments starting the following month for eight months which totaled approximately \$55,600.
- W-1 liked the deal and the return it provided, so he continued to look for additional investments with Blue Alpha Energy. In early 2013, W-1 invested \$25,000 in a Blue Alpha Energy limited partnership known as Blue Alpha Energy III LP. This investment was to acquire additional ownership interests in Arrowhead Productions. W-1 received monthly distributions from the limited partnership, which represented his proportional ownership interest in the production of the wells.
- Due to the apparent success of the deals, W-1 continued to invest in other Blue Alpha Energy entities. In one of the subsequent investments, W-1 made a direct investment of \$915,000 in Arrowhead LG, LLC, which Watts represented was an assumed name or "d/b/a" of Arrowhead Productions. Watts handled the closing of the transaction, and provided W-1 with documents that bore the signature of S.M. as the President of Arrowhead LG, LLC.
- W-1 also became a principal at Blue Alpha Energy and recruited investors to limited partnerships. At least two investors recruited by W-1 reside outside of Texas, and W-1 believed that documents related to their investment were mailed to the investors or received in the mail from them.
- W-1 invested approximately \$1,263,000 in Blue Alpha Energy and its related entities. After subtracting loan repayments and monthly distributions, W-1 incurred a loss of approximately \$1,068,000.
- The fraudulent nature of the scheme perpetrated by Watts was discovered on December 5, 2013. On that date, W-1 contacted Arrowhead Productions to inquire about production reports and monthly distributions. W-1 learned from both S.M. and the controller of Arrowhead Productions that it had no business relationship with Watts or Blue Alpha Energy and had never assigned any of the working interest in the wells it owned and/or operated to Watts or Blue Alpha Energy.

- W-1 has since learned that Arrowhead LG LLC is an assumed name under which a shell Wyoming company called Arrowhead Leasing Group LLC conducts business in Texas. W-1 obtained and reviewed a document filed with the Texas Secretary of State to qualify Arrowhead Leasing Group LLC to do business in Texas. This document is signed by Watts and identified him as the company's governing person.

5. Watts created and utilized several companies to carry out his fraudulent activity.

In addition to Arrowhead Leasing Group LLC and Arrowhead LG LLC, those companies include EVBA LLC, Semcorp LLC, and Forked W Capital LLC. A principal of Blue Alpha Energy, hereinafter referred to as W-2, provided a box containing various documents he recovered from Watts's office within the offices of Blue Alpha Energy after the discovery of the Ponzi scheme. Those documents included the following:

- bank statements in the name of Arrowhead Leasing Group LLC; an envelope postmarked June 5, 2013, from Wyoming Corporate Services addressed to Jeffrey D. Watts, Arrowhead Leasing Group LLC, at Watts's known home address in Fort Worth, Texas;
- bank statements for accounts of EBVA LLC listing Watts's home address in Fort Worth, Texas; and,
- a Visa debit card in the name of Jeffrey D. Watts, Forked W Capital LLC.
- Additionally, W-2 saw that Watts's laptop computer was no longer in Watts's office. W-2 also observed that the desktop computer of Watts had a side panel removed, and it appeared to W-2 that the hard drive to the computer was missing.

6. A review of financial information pertaining to Watts reflected investor money being transferred to bank accounts controlled by Watts, followed by Watts transferring money on a monthly basis back to investor accounts. The review of financial records did not find any transactions depicting royalty payments or distributions from Arrowhead Productions. The financial review found no evidence of any deposits related to the sale

of oil or gas. The financial records indicated that all the royalty payments and distributions provided to the investors originated from funds or investments paid to Blue Alpha Energy or one of its related entities.

7. The total amount raised by Watts is currently estimated to be in excess of \$5 million, with losses estimated to be approximately \$4 million. It is currently unknown where Watts maintains any of the investor funds, if any remain.

8. W-3, a resident of the state of New Jersey, invested \$50,000 in approximately February or March 2013, in a Blue Alpha Energy limited partnership known as Blue Alpha Energy III LP. W-3 sent his investment in via wire transfer from an account at Merrill Lynch in New York. W-3 received distributions from his investment beginning in April 2013, via the automated clearinghouse (ACH). The distributions were as follows: April 2, 2013 - \$931.68; May 14, 2013 - \$923.19; June 4, 2013 - \$915.10; July 5, 2013 - \$801.99; August 9, 2013 - \$947.09; September 3, 2013 - \$935.06; October 7, 2013 - \$919.15; and November 5, 2013 - \$909.86.

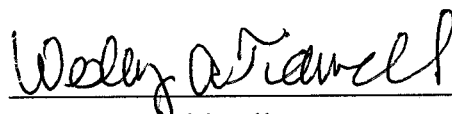
9. W-2 provided the Affiant with e-mails he exchanged with Watts. Watts, using the e-mail address [jeff@bluealphaenergy.com](mailto:jeff@bluealphaenergy.com), e-mailed W-2 on December 20, 2013.

An excerpt of that e-mail is as follows:

“You are right, but <name redacted> chose to move forward rather than withdraw; thus, I will take no action to returning the funds. The funds are buried and will not be found without me. I may have made many mistakes and lies, but his decision to move forward with legal action removes any chance for his goal to be attained.”

10. An online search tool was used to query the website bluealphaenergy.com, and it identified bluealphaenergy.com as being hosted by GoDaddy.com. The GoDaddy.com website identified the registered owner as Jeffrey Watts, Blue Alpha Energy, LLC, 4200 West Vickery, Fort Worth, Texas, telephone number 817-422-3781, e-mail address [jeff@bluealphallc.com](mailto:jeff@bluealphallc.com).

11. Based upon the foregoing, probable cause exists to believe that Jeffrey Watts violated 18 U.S.C. § 1343, in the Fort Worth Division in Northern District of Texas and elsewhere, by transmitting and causing to be transmitted in interstate commerce, an ACH payment in the amount of \$909.86 to W-2, representing that it was a return on the investment in Arrowhead Productions, knowing that it was not.



Wesley A. Tidwell  
Special Agent  
Federal Bureau of Investigation  
Fort Worth, Texas

Subscribed and sworn to before me on this 27<sup>th</sup> day of March, 2014, at 2:55 p.m.  
in Fort Worth, Texas.



JEFFREY L. CURETON  
United States Magistrate Judge